

# Commonwealth of Pennsylvania Public School Employees' Retirement System

**DATE:** September 22, 2011

**SUBJECT:** Black River Fixed Income Relative Value Opportunity Fund Ltd.  
Recommendation

**TO:** Members of the Board

**FROM:** Robert E. Little, CPA  
Portfolio Manager, External Public Markets, Risk & Compliance

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At the October Finance Committee meeting, staff and Aksia will recommend that PSERS invest \$250 million in the Black River Fixed Income Relative Value Opportunity Fund Ltd. (the Fund) managed by Black River Asset Management LLC. This Fund is an open-ended fund that trades the relative value of fixed income securities within the US and Europe.

Cargill's Global Capital Markets Division started trading the strategy in 1984. In 2003, the Global Capital Markets Division was spun-out, and Black River was established as an independently managed subsidiary of Cargill. With its launch in 2003, the Fund has been profitable every year through different interest rate cycles. Since inception, the Fund has returned 9.5%. The Fund offers good diversification characteristics to major equity and fixed income indices and to the existing large absolute return managers in our program.

Staff likes the uncorrelated returns and diversification aspects of the Fund. Staff recommends a \$250 million investment to this Fund, an amount which is within the target ranges established in Exhibit D of the Investment Policy Statement, Objectives and Guidelines as amended from time to time.

Included for your review are Aksia's recommendation, a PowerPoint presentation prepared by staff, a presentation prepared by Black River, and the resolution recommending the investment in the Black River Fixed Income Relative Value Opportunity Fund Ltd. Representatives from Black River will make a presentation to the Finance Committee and will be available for any questions.

If you have any questions or comments prior to the meeting, please contact me at 717-720-4707.